

Message Text

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ACTION EUR-12

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TAGS: ECON, EFIN, IT

SUBJ: BANK OF SICILY REPORT ON SICILIAN ECONOMIC SITUATION

REF: ROME 0741

1. BANK OF SICILY HAS PROVIDED US WITH BANK RESEARCH
OFFICE'S CONFIDENTIAL REPORT ON SICILIAN ECONOMY.

2. HIGHLIGHTS OF REPORT (COPIES POUCHED SEPARATELY TO
ROME AND DEPARTMENT) ARE:

- IN 1976, GENERAL ECONOMIC SITUATION CONTINUED TO
DETERIORATE, IN SPITE OF SOME GAINS IN PRODUCTION
AND EXPORT TRADE. HIGH PRODUCTION COSTS ADDED
TO INCREASES IN RAW MATERIAL PRICES FURTHER UNDERMINED
AN ALREADY WEAK INDUSTRIAL STRUCTURE. UNEMPLOYMENT
INCREASE IS REFLECTED BY 63.4 PERCENT INCREASE IN
NUMBER OF OWRKING HOURS PAID BY THE CASSA INTEGRAZIONE
(UNEMPLOYMENT RELIEF FUND). PROSPECTS FOR THE
FUTURE ARE NOT PROMISING BECAUSE OF PERSISTING
INFLATION AND LACK OF NEW INVESTMENT.

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- AGRICULTURAL PRODUCTION WAS ONE OF LOWEST IN RECENT
PAST. HARD WHEAT CROP DECLINED 13 PERCENT AND
OLIVE OIL PRODUCTION DROPPED 25 PERCENT. CITRUS
FRUIT SHOWED A 7.8 PERCENT GAIN, HOWEVER, AND
HOTHOUSE CULTIVATION OF VEGETABLES, PARTICULARLY
TOMATOES, IMPROVED CONSIDERABLY. COMMERCIALY,

THERE WERE GAINS IN SALES OF HARD WHEAT, WINE AND
HOTHOUSE PRODUCTS. CITRUS FRUIT SALES WERE
UNEVEN WITH SOME IMPROVEMENT IN DOMESTIC SALES AND
EXPORT OF LEMONS WHILE ORANGES DID NOT FIND MARKETS.

- STAGNATION PERSISTED IN THE INDUSTRIAL SECTOR.
INFLATIONARY TRENDS AND LIRA DEVALUATION BOOSTED
SALES OF PETROLEUM AND CHEMICAL PRODUCTS EXCEPT FOR
FERTILIZERS. MECHANICAL/ENGINEERING SECTORS SLOWED
DOWN CONSIDERABLY DUE TO COMPLETION OF SEVERAL OIL-
REFINING PROJECTS (ISAB REFINERY AT SIRACUSA, ANIC
AT GELA).

- SHIPBUILDING AND REPAIRING RECOVERED SOMEWHAT.

- CONSTRUCTION INDUSTRY REMAINED DEPRESSED IN 1976
WITH 5 PERCENT DECREASE IN NEW HOUSING STARTS
FROM ALREADY LOW LEVEL OF 1975. PUBLIC WORKS
EXPENDITURES ALSO REMAINED LOW.

- IN THE FIRST SIX MONTHS OF 1976, RETAIL SALES OF
SOME CONSUMER GOODS PICKED UP OWING TO CONSUMER
FEARS OF FURTHER INFLATION. FOREIGN TOURISM
SHOWED GAINS (UP 26 PERCENT) PARTICULARLY WITH
RETURN OF LARGE PACKAGE TOURS TO SICILY. COLLINS

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